



## Accountability for setting chief executive remuneration

The approach to setting chief executive remuneration balances the need to maintain public trust and confidence in the public sector and the need to attract and retain chief executives who are motivated by a spirit of service. There are a range of reasons why public sector remuneration, particularly at the senior executive level is, and needs to be, lower than the private sector.

The Public Service Commissioner (the Commissioner) is the employer of chief executives of departments and departmental agencies and determines their remuneration, excluding those whose remuneration is set by the Remuneration Authority.

The Remuneration Authority is responsible for determining the remuneration of some chief executives and Officers of Parliament (including the Public Service Commissioner and Deputy Public Service Commissioner). The following analysis does not include the remuneration for those people whose remuneration is determined by the Remuneration Authority.

The Commissioner provides guidance to the Boards of Crown agents and autonomous and independent Crown entities, and Tertiary Education Institutions (TEIs) on chief executive remuneration, which is used by Boards who are the employer of chief executives and are therefore responsible for agreeing the terms and conditions with their chief executives. These are finalised after the Commissioner gives his consent.

## Remuneration packages paid to secretaries of departments and departmental agencies

Total remuneration for secretaries of departments and departmental agencies comprises base salary, an employer contribution to superannuation and the value of any benefits such as a week's leave above the statutory 20 days.

### Average remuneration of chief executives of departments and departmental agencies<sup>1</sup>

Year	2019/20	2018/19	2017/18	2016/17
Average remuneration	\$482,000	\$478,000	\$500,000	\$504,000

<sup>1</sup>This excludes those whose remuneration is determined by the Remuneration Authority

The average remuneration package paid to secretaries of departments and departmental agencies has increased by less than 1% in the year to 30 June 2020. The net result over the last four years is a 4% decrease in average remuneration. This decrease does not include the six-month voluntary 20% pay cut taken by all chief executives of departments and departmental agencies.

We remain in a period of pay restraint for chief executives of departments and departmental agencies due to the consequences of the COVID-19 pandemic. Therefore, modest average increases if any, are likely to continue in the next twelve months.



## Average remuneration increases by agency type

The following table sets out the average increase that was implemented, prior to the start of voluntary pay reductions and pay restraint.

Type of organisation	Average percentage increase 2019/20 from 2018/19	Average percentage increase 2018/19 from 2017/18	Average percentage increase 2017/18 from 2016/17
Departments and departmental agencies <sup>1</sup>	1.9	1.2	0.9
All Crown entities	2.3	2.3	2.7
DHB	2.2	2.1	2.0
TEI	1.9	1.9	1.6
Other Crown entities	2.6	2.6	3.3
Market data – across all sectors <sup>2</sup>	2.6	2.9	4.6

<sup>2</sup>Korn Ferry Hay NZ Market Context Report - Chief Executives / Group Heads – June 2020, June 2019 and June 2018

Many chief executives of departments and departmental agencies received an increase effective 1 January 2020, and this has resulted in the average increase of 1.9%. The revised remuneration levels for these chief executives will not be disclosed in the online tables until after the end of the review period (31 December 2020).

The average increase for chief executives of departments and departmental agencies for the next year (2020/2021) is likely to be lower as there will no remuneration reviews in the period to 30 June 2021. These had been due on 1 January 2021.

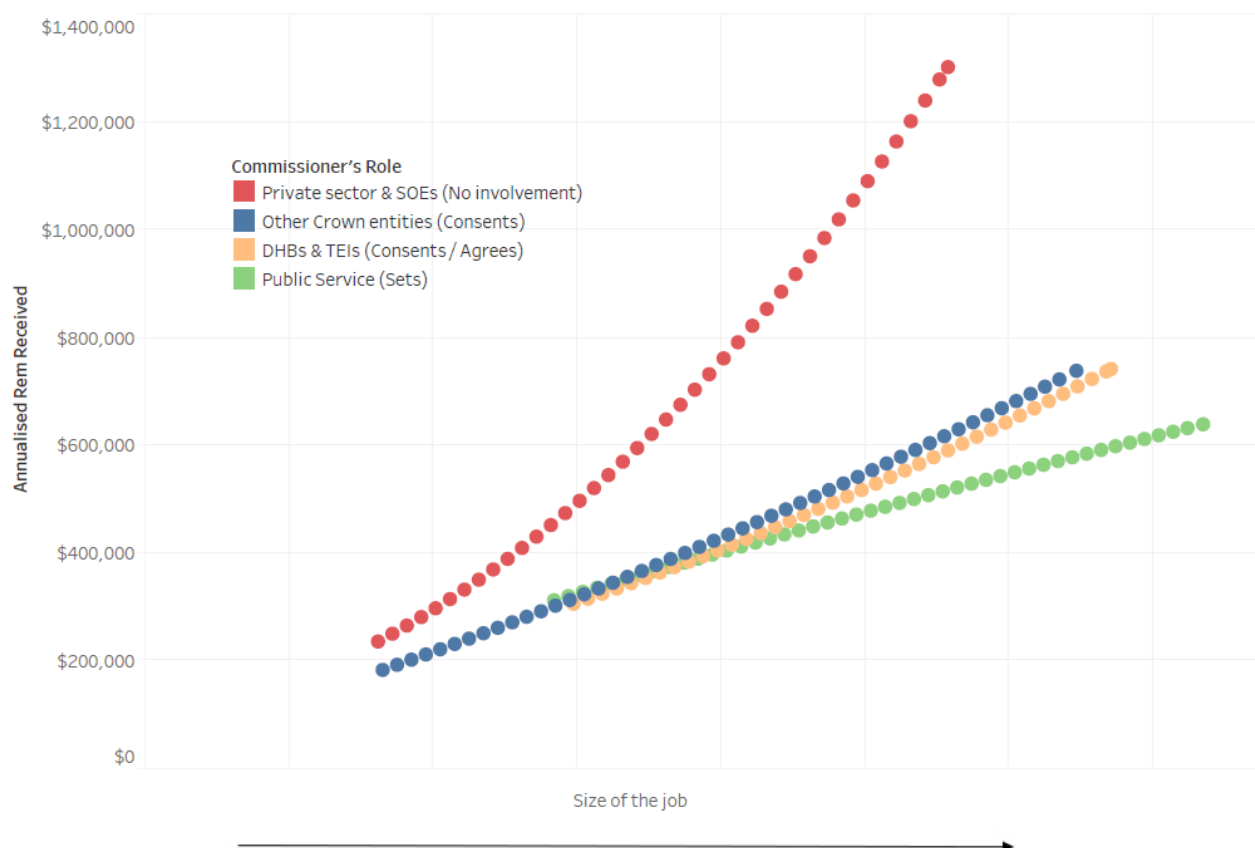
All increases in Crown entity CEs' remuneration over the 2019/20 year were within the guidance provide by Te Kawa Mataaho. These average increases are likely to decrease next year, as the guidance given to Crown entity Board chairs for reviews of chief executive remuneration from April 2020 to 30 June 2021 is for a nil increase as increases to remuneration for Crown entity chief executives are generally undesirable during this time of restraint.



## Comparison of levels of remuneration across sector

The graph below plots remuneration against job size for chief executives in different sectors.

Total remuneration by job size and sector for CEs in 2019/20



These trend lines are based on data for the year to 30 June 2020. Remuneration lines are based on data from Te Kawa Mataaho (for departments and departmental agencies, DHBs and TEIs, and other Crown entities) and Korn Ferry New Zealand Market Remuneration Report June 2020 (for private sector and state-owned enterprises (SOEs)).

The graph shows a clear relationship between remuneration and job size – the ‘larger’ the job, the higher the pay.

The graph shows the varying degrees of influence the Commissioner has over senior pay. The Commissioner has no influence over private sector and state-owned enterprises. The greater his influence, the lower the levels of pay (for the same size of job). Accordingly, the lowest line is for chief executives of departments and departmental agencies whose pay is set by the Commissioner.